

The use of internal market competition inside auto companies and the impact on labour

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3 Phases in Production systems and internationalisation inside auto companies

- ▶ **National markets/national industrial relations systems**
 - ▶ Outcomes at level of employment, wages and conditions shaped by
 - ▶ Technological organization of production
 - ▶ Market conditions,
 - ▶ Collective power of employers' associations and trade unions
 - ▶ Nature and role of the state in markets
- ▶ **Internationalisation of production**
 - ▶ Potential shift of production from national home base
 - ▶ Primarily to cheapen production through shifting to low wage areas
 - ▶ Linked to concession bargaining and whipsawing in home production facilities
 - ▶ The organisation of competition between plants in MNCs in the context of production allocation and collective bargaining with the aim to extract labour concessions.
- ▶ **Regionalisation of production**
 - ▶ Produce where you sell (Triad regions)
 - ▶ Global Production system – hybridised learning
 - ▶ Linked suppliers in region
 - ▶ Home country supplier of advanced R+D, new models and prototype production



Production reorganization from 1980s

- ▶ Rationalisation of marques and brands for common marketing
- ▶ Creation of 'global' platforms for autos
- ▶ Shift towards standardisation and modularisation of components
- ▶ Common lean production/manufacturing systems
- ▶ Impact on labour in
 - ▶ existing plants
 - ▶ New plants
- ▶ Whipsawing labour relations – setting up benchmarks and competition for models etc.



Levels and Determinants of Whipsawing Capacity 1: production factors (Hauptmeier and Greer 2015)

Whipsawing capacity	Parallel Production	Standardization	Production Platform
High	Yes	High	Yes
Medium	Yes	Low to high	No
Low	No	Low	No



Level and determinants of whipsawing capacity 2: Market Factors (Hauptmeier and Greer 2015)

Whipsawing capacity	Market demand	Market supply	Plant utilization
High	Stagnating/declining/low growth	High excess supply	Underutilized
Medium	Stagnant/declining/low growth	Some excess supply	Some spare capacity
Low	Strong growth	Market clearance	Full capacity utilization



Four Patterns of Whipsawing (Hauptmeier and Greer 2015)

Associated practice	Informal	Coercive	Rule-based	Hegemonic
Benchmarking	yes	yes	yes	yes
Organizing competition between plants	yes/no	yes	yes	yes
Explicit and specific threat to shift production	no	yes	yes	yes
Formal bidding	no	no	yes	yes/no
Influencing ideas	no	no	no	yes

Different patterns of whipsawing

Example of Ford Europe

- ▶ European headquarters in Cologne, Germany
 - ▶ car plants in Cologne, Saarlouis, Valencia, Genk
 - ▶ Coercive Whipsawing in 1980s
 - ▶ engine production (UK/Germany)
 - ▶ Informal Whipsawing in 1990s
 - ▶ management informally discusses upcoming production assignments, which is picked up by unions that initiate negotiations with management
 - ▶ But Coercive Whipsawing in 1998 in Spain
 - ▶ Management threatens to withdraw production
 - ▶ Reduction of whipsawing capacity in late 1990s/ early 2000s
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- ▶ Return to a pattern of informal whipsawing

Global production in 2000s: what difference does it make to whipsawing?

- ▶ Shift to 'produce where you sell' at a Triad regional level – especially important in China
- ▶ Shift from transnational activity to clear regional focus and embedding in emerging markets oriented towards domestic market
- ▶ Corporate production systems (CPS) and home based R+D remain important but allow for local discretion and hybridity in order to adapt to local market and learn in home market (role of corporate level continuous improvement teams)
- ▶ Companies retain and upgrade production and development functions at home whilst looking for new flexible suppliers in the region to take over mature process capacity and free up in house manufacturing capacity to engage with more high value and prototype production.

Shift in relations with labour as auto firms become globalized

- ▶ Whipsawing limited to within regions and also limited by more coordinated and committed supply chain relations in regions.
- ▶ Some evidence of more power moving back to home based employees and a weakening of efforts to whipsaw concessions from them – linked to central role of engineering and skill of home base for CPS and CIT.
- ▶ Produce where you sell creates more sticky and committed investment that limits whipsawing across regions.
- ▶ More partnership based labour systems arising and less confrontational whipsawing.
- ▶ Auto-companies – from hierarchy to markets to
- ▶ hierarchical networks